

Senate Engrossed House Bill

FILED

**JANICE K. BREWER
SECRETARY OF STATE**

State of Arizona
House of Representatives
Forty-eighth Legislature
Second Regular Session
2008

CHAPTER 240

HOUSE BILL 2513

AN ACT

AMENDING TITLE 20, CHAPTER 2, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING
SECTION 20-443.02; RELATING TO STRANGER ORIGINATED LIFE INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 20, chapter 2, article 6, Arizona Revised Statutes,
3 is amended by adding section 20-443.02, to read:

4 20-443.02. Stranger originated life insurance

5 A. INTENTIONALLY PRACTICING OR PLANNING TO INITIATE A LIFE INSURANCE
6 POLICY FOR THE BENEFIT OF A PERSON OR ENTITY THAT LACKS AN INSURABLE INTEREST
7 AND THAT, AT THE TIME OF POLICY ORIGINATION, HAS NO INSURABLE INTEREST IN THE
8 INSURED IS A VIOLATION OF SECTION 20-1104. STRANGER ORIGINATED LIFE INSURANCE
9 PRACTICES INCLUDE SITUATIONS IN WHICH LIFE INSURANCE IS PURCHASED WITH
10 RESOURCES OR GUARANTEES FROM OR THROUGH A PERSON OR ENTITY THAT, AT THE TIME
11 OF POLICY INCEPTION, COULD NOT LAWFULLY INITIATE THE POLICY HIMSELF OR
12 ITSELF, AND IF, AT THE TIME OF POLICY INCEPTION, THERE IS AN AGREEMENT TO
13 DIRECTLY OR INDIRECTLY TRANSFER THE OWNERSHIP OF THE POLICY OR THE POLICY
14 BENEFITS TO A PERSON OR ENTITY THAT LACKS AN INSURABLE INTEREST. TRUSTS THAT
15 ARE CREATED TO GIVE THE APPEARANCE OF INSURABLE INTEREST AND THAT ARE USED TO
16 INITIATE POLICIES FOR THE BENEFIT OF INVESTORS WITH NO INSURABLE INTEREST
17 VIOLATE SECTION 20-1104 AND THE PROHIBITION AGAINST WAGERING ON LIFE.
18 INTENTIONALLY PRACTICING OR PLANNING DOES NOT INCLUDE A POLICY OWNER'S LAWFUL
19 ASSIGNMENT OF THE POLICY OWNER'S LIFE INSURANCE POLICY.

20 B. STRANGER ORIGINATED LIFE INSURANCE PRACTICES DO NOT INCLUDE:

21 1. A POLICY LOAN BY A LIFE INSURANCE COMPANY PURSUANT TO THE TERMS OF
22 THE LIFE INSURANCE POLICY OR ACCELERATED DEATH PROVISIONS CONTAINED IN THE
23 LIFE INSURANCE POLICY, WHETHER ISSUED WITH THE ORIGINAL POLICY OR AS A RIDER.

24 2. A PREMIUM FINANCE LOAN OR ANY LOAN MADE FOR A POLICY ON OR BEFORE
25 THE DATE OF ISSUANCE OF THE POLICY BY A BANK OR OTHER LICENSED FINANCIAL
26 INSTITUTION IF ANY OF THE FOLLOWING APPLY:

27 (a) DEFAULT ON THE LOAN OR THE TRANSFER OF THE POLICY IN CONNECTION
28 WITH THE DEFAULT IS NOT PURSUANT TO AN AGREEMENT OR UNDERSTANDING WITH ANY
29 OTHER PERSON FOR THE PURPOSE OF EVADING REGULATION UNDER THIS SECTION.

30 (b) THE LOAN PROCEEDS ARE USED SOLELY TO PAY PREMIUMS FOR THE POLICY
31 AND TO PAY ANY COSTS OR EXPENSES INCURRED BY THE LENDER OR THE BORROWER IN
32 CONNECTION WITH THE FINANCING.

33 (c) THE OWNER HAS NOT AGREED ON THE DATE OF THE PREMIUM FINANCE LOAN
34 TO SELL, DIRECTLY OR INDIRECTLY, THE POLICY OR ANY PORTION OF THE POLICY'S
35 DEATH BENEFIT ON ANY DATE FOLLOWING THE ISSUANCE OF THE POLICY.

36 (d) THE OWNER DOES NOT RECEIVE ON THE DATE OF THE PREMIUM FINANCE LOAN
37 A GUARANTEE OF THE FUTURE VALUE OF THE SALE OF THE POLICY.

38 3. A COLLATERAL ASSIGNMENT OF A LIFE INSURANCE POLICY BY AN OWNER.

39 4. A LOAN MADE BY A LENDER THAT DOES NOT VIOLATE TITLE 6, CHAPTER 14,
40 ARTICLE 1, IF THE LOAN DOES NOT VIOLATE THIS SECTION.

41 5. AN AGREEMENT IF ALL THE PARTIES:

42 (a) ARE CLOSELY RELATED TO THE INSURED BY BLOOD OR LAW.

43 (b) HAVE A LAWFUL SUBSTANTIAL ECONOMIC INTEREST IN THE CONTINUED LIFE,
44 HEALTH AND BODILY SAFETY OF THE PERSON INSURED, OR ARE TRUSTS ESTABLISHED
45 PRIMARILY FOR THE BENEFIT OF SUCH PARTIES.

1 6. ANY DESIGNATION, CONSENT OR AGREEMENT BY AN INSURED WHO IS AN
2 EMPLOYEE OF AN EMPLOYER IN CONNECTION WITH THE PURCHASE BY THE EMPLOYER, OR
3 TRUST ESTABLISHED BY THE EMPLOYER, OF LIFE INSURANCE ON THE LIFE OF THE
4 EMPLOYEE.

5 7. A BONA FIDE BUSINESS SUCCESSION PLANNING ARRANGEMENT THAT IS
6 BETWEEN ONE OR MORE OF THE FOLLOWING:

7 (a) SHAREHOLDERS IN A CORPORATION OR BETWEEN A CORPORATION AND ONE OR
8 MORE OF ITS SHAREHOLDERS OR ONE OR MORE TRUSTS ESTABLISHED BY ITS
9 SHAREHOLDERS.

10 (b) PARTNERS IN A PARTNERSHIP OR BETWEEN A PARTNERSHIP AND ONE OR MORE
11 OF ITS PARTNERS OR ONE OR MORE TRUSTS ESTABLISHED BY ITS PARTNERS.

12 (c) MEMBERS IN A LIMITED LIABILITY COMPANY OR BETWEEN A LIMITED
13 LIABILITY COMPANY AND ONE OR MORE OF ITS MEMBERS OR ONE OR MORE TRUSTS
14 ESTABLISHED BY ITS MEMBERS.

15 8. AN AGREEMENT ENTERED INTO BY A SERVICE RECIPIENT, OR A TRUST
16 ESTABLISHED BY THE SERVICE RECIPIENT, AND A SERVICE PROVIDER, OR A TRUST
17 ESTABLISHED BY THE SERVICE PROVIDER, THAT PERFORMS SIGNIFICANT SERVICES FOR
18 THE SERVICE RECIPIENT'S TRADE OR BUSINESS.

19 C. NOTHING IN THIS SECTION PROHIBITS THE ASSIGNMENT OF A LIFE
20 INSURANCE POLICY THAT IS NOT PART OF A STRANGER ORIGINATED LIFE INSURANCE
21 PRACTICE AS PRESCRIBED BY SUBSECTION A OF THIS SECTION.

APPROVED BY THE GOVERNOR MAY 23, 2008.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 23, 2008.